

Slowing Economy Limits Tax Cuts; 2001 Session Focused Mainly on Back-Burner Issues

In terms of business and economic legislation, the 2001 session will go down more for what was not passed, than what made it through the process. A lack of funds and a politically split Legislature — for the first time in a decade — accounted for the lack of significant business bills passed this

NEWS ANALYSIS

past year. However, business was able to fend off a number of consumer-protection laws, which were considered too harsh by business in a time of economic uncertainty.

One indication of poor economic conditions in Arizona was that one of the governor's major proposals at the beginning of the session had to be pared back dramatically when it fi-

nally passed. Before the Legislature took office in January, Tucson economic development officials and the Arizona Partnership for a New Economy, a public-private board created by Gov. Jane Hull to study ways to develop the state's technology industry, were touting a series of proposals costing \$20 million to \$30 million. Among these were: venture capital for start-up technology companies; funding to study and promote industry "clusters" (e.g., optics) that are expected to lead to high-paying jobs; lower business taxes; and incentives for telecommunications infrastructure and technology training centers.^{1,2}

But by the end of the first session of the 45th Legislature, few of the major economic development and business proposals made it through the legislative process. For example, five tax-cut proposals totaling nearly \$500 million — primarily helping corporate and small business — were passed by the House of Representatives, but never came up for a vote in the Senate (see Table 1). Ultimately, the reality that the state (and national) economy's continual slide kept any of those bills from making it to the governor's desk, where they likely would have met the veto pen.

Still, business interests had to consider the session a success in many ways because of their ability to keep



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"harmful" legislation from becoming law. In some instances, it was a governor's veto — which set a record (28) in 2001 — that prevented several less-than-friendly bills for business from getting onto the books. Among these were proposals to give civil rights protections to gays and transsexuals, and to levy hefty fines on companies that do not provide hazardous materials management plans and inventory statements to local fire departments.

In addition, there were a half-dozen other bills that business fought strongly that did not make it through the legislative process. These included proposals to make business responsible for destroying customer records, adding health benefit requirements, and increasing unemployment insurance benefits and tying them to the cost of living.

"The bills that we need to kill we were able to kill," said Michelle

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Covel, Arizona director of the National Federation of Independent Businesses, said in a Tucson business journal. “But it was a big struggle this year to try to educate people and make them understand the unintended consequences of some of these bills.”³

Covel was referring to the time and cost of these requirements, particularly for small business. “Lawmakers didn’t seem to understand that small businesses are fundamentally different from big business, and they have deep pockets like the big guys,” Covel said.⁴

On the other hand, some of business’ wins equated to defeats for labor, which has made some gains in recent years. Probably the biggest plus for labor, however, was a number of improvements for state workers (including universities) and active members of the state retirement system. The Legislature included in its budget a 10 percent pay raise to state workers over the next two years, and passed several bills offering increased health and pay benefits for retirees.

Business

Because of the dearth of tax cuts in 2001, legislation that normally would not be considered “major” rose to the top this session. Among areas that received more attention involved industries such as construction, finance, and insurance.

After tackling growth issues the past two sessions — Growing Smarter and Growing Smarter Plus — the Legislature focused on less explosive, yet important, issues.

One issue that has come to the forefront in recent years is encroaching growth around military installations. With the closure of Williams Air Force Base in Mesa in 1993 and federal plans to shut down more bases around the country, the state has grown increasingly concerned about how growth around bases can affect their viability and the economic impact on local areas with the loss of thousands of jobs. Case in point, res-

Table 1

Major Tax-Cut Legislation That Failed in 2001 Session

Bill	Overview	Estimated Cost Over Biennium	Outcome
HB2125	Across-the-board cuts in individual income taxes	\$98.4 Million	Passed in House; Failed in Senate Committee
HB 2475	Cuts corporate income tax; lowers threshold for family tax credit	\$123.2 Million	Passed in House; Failed in Senate Finance Committee
HB 2477	Offer option to multi-state corporations to base income tax on sales or keep current system	\$39 million	Passed in House; Failed in Senate Committee
HB 2576	Eliminates transaction privilege tax on telecommunications, utilities	\$118.8 million	Passed in House; Failed in Senate
HB 2616	Increases standard deductions for singles and married couples	\$101 million	Passed in House; Failed in Senate
SB 1097	Sets the assessment ratio for secondary property taxes at 10 percent of full cash value	Lower taxes of commercial property	Failed in Senate Committee

Source: *Arizona Capitol Times*, March 2, 2001; Arizona Legislative Internet Site (www.azleg.state.az.us)

idential development has been creeping up on three sides of Luke Air Force Base in Glendale, the largest F-16 training base in the country. State and local officials worried that too much encroachment would make the base less viable, and therefore an easier target for closure.

Enactment of SB 1525 expanded on laws passed in last several years to protect military installations, by requiring advance warning (at least 60 days) to military and public officials of encroaching development by various governing bodies. In addition, the law “re-charted the locations around the base that can be developed and increased the restrictions against development within landing

and take-off zones while allowing increased development in other areas,” reported the *Arizona Capitol Times*⁵. (Also see “Economic Development” for related material.)

In 1995, the state established the Arizona Military Airport Preservation Committee for the purpose of encouraging the preservation of the long-term viability of Arizona’s military airports and protecting the private property rights of property owners in the vicinity of military airports. The law also required all political subdivisions in the vicinity of a military airport to adopt land-use plans and adopt and enforce zoning regulations that assure development compatible with the high noise and

accident potential generated by military airport operations. Legislation adopted in 2000 required the Attorney General to enforce planning, zoning and sound requirements within territory in the vicinity of military airports and established civil penalties for noncompliance.

The Legislature also passed a number of laws relating to the regulation of the real estate and construction industries. Several bills provided instances when liens can be attached to property, another dealt with the subdivision of land for sale, and another tightens regulation of unlicensed contractors.

One bill (SB 1500) allows real estate brokers to place liens on commercial buildings when commissions for leasing space have not been paid. This type of law, which is in effect in 16 other states, has been attributed to a reduction in lawsuits over unpaid commissions.⁶ “ ‘When the commission dollar amount is under \$20,000, if you sue, your court costs are going to eat it up,’ ” said Mike Moloney, president of the Commercial Real Estate Institute in an article in the *Arizona Capitol Times*.⁷

Another bill (SB 1409) made a significant number of changes to the Recreational Vehicle Long-Term Rental Space Act, which outlines landlord and tenant rights and responsibilities and provides legal remedies for disputes. The new law spells out the time period (90 days) that the landlord must give to a tenant if a lease will not be renewed, as well as requires the tenant to give a 30-day notice to a landlord if a rental agreement will not be renewed and the RV space will be vacated.

Among other real estate and construction legislation passed:

- SB 1468 gives companies that do site improvements on construction sites a higher priority for liens, starting when work first starts or materials are furnished. Previously, site preparation work



New Law Limits Construction Around Arizona Military Bases

received a separate, lower priority for construction liens.⁸

- HB 2023 allows the sale of an improved lot in a subdivision where five or more sales were previously made by the seller, subject to prescribed conditions, without having to satisfy subdivision public report requirements.
- HB 2371 requires unlicensed persons performing construction work to include the words “not a licensed contractor” in their advertisements. Currently, persons performing construction work for less than \$750 are not required to get a license from the Registrar of Contractors. About 2,000 complaints are made against unlicensed contractors each year, according to a state Senate Fact Sheet.⁹
- HB 2395 makes numerous changes to the statutes regulating real estate timeshares to update and streamline existing timeshare requirements and practices, enhance consumer protections and authorize payment of finder fees. The legislation, modeled after Illinois’s real estate timeshare laws and Arizona’s subdivision laws, incorporates modern variations of the timeshare product; streamlines existing timeshare require-

ments; increases and modernizes consumer protections; and authorizes payment of finder fees.¹⁰

One controversial real estate proposal that didn’t make it into the law books would have put tighter regulations on home owners associations. SB 1368, which was passed by the Senate and defeated in a House committee, would have created a method to appeal a decision by a home owners association (O).¹¹ Several interest groups who felt the bill was insufficient and favored developers, plan to bring up a bill in the 2002 session to create a state agency or department to license HOAs.¹² One official said “since the HOA can review and overturn this decision ... only licensing management companies and HOAs would allow for proper enforcement of HOA code.”¹³

Perhaps the biggest success for business in 2001 was its ability to fend off legislation considered harmful, particularly to small business. “ ‘We played a substantial amount of defense,’ ” a lobbyist for the Arizona Small Business Association was quoted in an *Arizona Daily Star* article.¹⁴ “ ‘There were a slew of bills introduced that were problematic ... (but) none made it all the way to the governor’s desk,’ ” said Lee Miller.¹⁵

Among bills stopped was a proposal to increase the maximum weekly unemployment insurance (UI) benefits to \$250 and index UI benefits to the consumer price index (see “Labor,” below). Another bill tried to make business responsible for getting rid of client’s personal information; while another proposal wanted to extend civil rights protections to homosexual workers (see “Labor,” below).

Among pro-business legislation defeated was a bill to make consumers bound by software licensing agreements once the shrink-wrap on a package was broken. The bill was considered anti-consumer because there is no way to review a software license until the package is open, thus forcing a consumer to buy the

product before they agree to the terms of the license.

Another pro-small business bill that failed would have allowed companies to deduct the cost of health insurance from state income taxes. “ ‘Small business owners can’t afford it anymore, and people will be in the position of finding it on their own,’ ” said Rep. Carol (R)-Tucson, in an article in the *Arizona Daily Star*.¹⁶

Economic Development

As was the case with business tax-cut proposals, much of the economic development agenda for 2001 was pared back or eliminated due to a poor financial horizon. Although heading into the session, there were high expectations by economic developers and others promoting investments in various projects — venture capital, industry clusters, tax credits, school-to-work programs — by the end of the session those hopes were dashed by circumstances beyond their control. “Though some economic stimulus measures made it through the battle ... overall economic development took a backseat this session,” said a Tucson business newspaper.¹⁷

According to the head of the Greater Tucson Economic Council, Arizona attracts only 1 percent of the venture capital given to companies in the Silicon Valley area of California.¹⁸ “ ‘We have here in Arizona everything we need except one thing — lack of investment capital,’ ” said Ed Denison, president of Azsoft.net, a group promoting Arizona Internet companies.¹⁹

Among two venture capital bills proposed during the session, one (HB 2578) would have provided \$100 million from the state’s general fund as security to investors in insurance companies, banks, and other financial institutions that lend venture capital, while another (SB 1462) offered \$150 million in tax credits for insurance companies that invested in privately run, state-certified capital compa-

Table 2

Major Business/Economic-Development and Labor/Occupational Bills Passed in 2001 Legislative Session

Business/Economic-Development Legislation

- HB 2205 — Appropriates \$3 million over next two fiscal years to fund “New Economy” initiatives proposed by the Arizona Department of Commerce, including the study of specific economic clusters the state is supporting under its GSPED plan.
- HB 2527 — Extends (until July 1, 2006) and makes numerous changes to the state’s Enterprise Zone program.
- HB 2024, HB 2395, HB 2023, SB 1409 — Several major bills affecting real estate regulation, including changes to the functions of the Arizona Department of Real Estate; regulation of real estate “timeshare” properties; sales of subdivided land; and changes affecting landlord and tenant rights of recreational vehicles.

Labor/Occupational Legislation

- SB 1295, SB 1100 — Several bills, including state budget, gave improved wages and retirement options and benefits to Arizona state workers and retirees.
- HB 2412 — Board of Medical Examiners (BOMEX) was given increased authority to discipline physicians, including increasing the minimum amount of fines, and to display complaint history on the BOMEX Internet site.
- HB 2024 — Numerous changes to functions and duties of the state Department of Real Estate and regulation of real estate workers.

nies.²⁰ Neither bill made it to the governor’s desk, however, as concern over a weakening state economy contributed heavily to their defeat.

About \$3 million dollars was appropriated by the Legislature over the next two fiscal years for several New Economy projects. Most of the money will be used to assess “telecommunications infrastructure needs throughout the state.”²¹ Additionally, some of the funds will be used to study some of the state’s 11 industry clusters, which were developed nearly a decade ago by GSPED (Governor’s Strategic Plan for Economic Development) as a way to promote industries that would bring higher-paying jobs to the state. At the time of the bill’s passage, Denison said, “ ‘We’re pretty good at funding stadiums and putting ball teams in, but when it comes to putting in technology infrastructure, learning infrastruc-

ture or capital infrastructure ... we don’t get it.’ ” As it turned out, additional funding would have likely been pared anyway because of continued deteriorating economic conditions.

One area of economic development which did receive support — although less than originally proposed — was the expansion and retooling of the state’s enterprise zone program, which began in 1989. HB 2527 extended the enterprise zone program until July 1, 2006, tweaked the policy’s popular tax-credit sections, and allowed for the addition of six zones. There are currently 26 designated (22 active) enterprise zones in the state.

First, the program now allows manufacturers to have 10 percent of their enterprise zone operations involved with retail sales, whereas no portion of the business could be in

retail sales previously. HB 2527 originally proposed to allow up to 50 percent of operations in retail sales, but was whittled down to 10 percent in committee. In addition, the new law allows tax credits to continue for a business even if it is in area that loses its enterprise zone designation and even if the business is losing money. Also, as a way to help rural areas of the state, the program has tiered the minimum investment requirement to qualify for tax credits. Whereas a \$2 million investment was needed to qualify for tax credits previously, the new law reduces the amount to \$1 million for businesses locating in cities with a population between 10,000 and 80,000, and \$500,000 in cities with a population less than 10,000.

As a sign of cooperation and the influence of NAFTA (North American Free Trade Agreement), Arizona broadened its ties with the state of Sonora, Mexico. With passage of HB 2521, the number of state agencies cooperating with the Arizona-Mexico Commission expands from six to 12. Started in 1959, the Arizona Mexico Commission collaborates with public and private sector leaders to initiate and implement binational projects for the residents of the Arizona-Mexico border region.

While legislation was passed to help preserve the state's military bases from encroaching development (see "Business," above), the other side of the coin was not tackled this session. "The law (SB 1525) appeased many, but didn't address the problems of agricultural landowners who can't sell their acres for development," the *Arizona Capitol Times* reported.²² A bill with \$3 million in state funding was introduced during the session to compensate property owners for land that could not be developed near military bases. The legislation failed. However, a bill to fund a \$1 million study to determine what type of compensation should be given to these landowners did make into law.²³



*Logo for Arizona's Partnership
for a New Economy
Resembles a jigsaw puzzle*

Labor

The success of the 2001 session for labor interests can be divided into two categories. On fiscal issues affecting Arizona's 42,000 state employees, labor interests appeared to have a pretty good year. On the other hand, on fiscal issues and social issues affecting workers as a whole, labor interests fared poorly.

Prior to the session, state employees knew things were looking up when media reports were quoting the governor and legislators as saying that pay raises were among the top priorities for the legislative session.²⁴ After 10 years of receiving little or no attention in terms of wage raises, state workers had reason to believe their economic plight would be of concern to even lawmakers that normally aren't sympathetic to government spending.

Not only did Arizona's two-year budget include two 5 percent pay raises or \$1,500, whichever is larger, for existing state employees, but a number of retirement benefit enhancements were passed by the Legislature. A group of laws enacted: gave state employees the right to work in another state job 12 months after receiving retirement benefits; provided increased pay and health-care benefits for existing retirees and expanded retirement programs for existing state workers; and increased the multiplier (from which benefits are determined) for state

workers with 20 or more years of service.

In a related piece of legislation, SB 1243 provided funding for the Department of Public Safety to hire 116 additional officers. Concern over the lack of officers to patrol metropolitan freeways led to the bill's passage.

Outside of state government, however, labor issues did not fare well. Among labor-sponsored bills that fell by the wayside were:

- SB 1244, which would have required companies with 200 or more employees to give workers 180 days advance notice of a plant closing or layoffs due to the movement of jobs to a "low-wage foreign country. Called the "Arizona Jobs Protection Act," the bill resembled the federal Worker Adjustment and Retraining Act (WARN) passed in the late 1980s, but would have also required companies to pay for health-care costs, job training, and pension benefits for 18 months. The bill, which was unable to get out of the Senate Commerce Committee, pitted business against labor interests. Business complained the bill would "hamper the ability of corporations to make decisions" and labor argued that 450,000 jobs have been lost nationwide due to various trade pacts.²⁵
- HB 2087, vetoed by the governor, which would have extended Arizona's employment discrimination protection to persons with mental impairments. Arizona is one of only three states that do not provide employment protection for persons based on a mental disability. In her veto message, the governor stated that the provisions of the bill may be interpreted as a waiver of the state's sovereign immunity from federal court suits that allege a violation of the Americans with Disabilities Act. Furthermore, the governor was concerned the potential costs of this bill to Ari-

zona's employers may not be completely recognized.²⁶

- SB 1225, which would have made it illegal for companies doing business in Arizona to discriminate against workers and job applicants based on sexual orientation and gender identity. Business interests criticized the bill on several fronts, with the major reasons against the legislation being a fear of additional litigation and forcing religious groups to hire someone who find the behavior offensive. The bill was passed by the Senate, but died in House committee.²⁷
- SB 1017 and SB 1018, which would have increased unemployment insurance (UI) benefits (currently a maximum of \$205 a week) and tied future annual increases to the consumer price index (see "Business," above), and eliminated the one-week waiting period for eligibility for unemployment benefits for individuals who were required by their former employer to attend at least one week of uncompensated training as a condition of employment. If SB 1017 had become law, UI benefits would have increased over the next three years to a maximum of 50 percent of the state's average weekly wage. Chuck Huggins, secretary-treasurer of the state branch of the AFL-CIO, said the legislation was needed because Arizona's maximum benefit ranked 48th out of 50 states and two territories in 1999.²⁸ A lobbyist for the Arizona Chamber of Commerce, however, said business would have to increase the current unemployment insurance tax (about \$0.85 on the first \$7,000 of an employee's salary), because the legislation would drawn down the state's UI fund to too low a level.²⁹

Occupations

Following up on last year's move to strengthen the disciplinary powers of the Arizona Board of Medical Examiners (BOMEX), the Legislature passed

Table 3

Pay and Benefit Improvements for Arizona State Employees and Retirees

	5 percent pay raise in April 2002 and April 2003
✓	State retirees allowed to work in another state job 12 months after receiving retirement benefits
	Increased pay and health-care benefits for existing retirees and expanded retirement programs for existing state workers
✓	Increase in multiplier (from which benefits are determined) for state workers with 20 or more years of service

several bills designed to keep doctors with questionable backgrounds from practicing their profession in Arizona.³⁰ The bills were sparked, in part, by the publicity surrounding a doctor's botched abortion procedure that led to the death a woman and a series of articles in *The Arizona Republic* that detailed that 100 patients had died in Arizona during the past decade from questionable medical care, but only one doctor lost his license.³¹ "Even in instances when the medical board's staff recommended a doctor be disciplined, more than half the time the board chose to let the doctor off with no punishment," the *Republic* article said.³²

With passage of HB 2412, BOMEX was given increased authority to discipline physicians, including increasing the minimum amount of fines — from \$300 to \$1,000 — that can be imposed by the board. The bill also gives the board's executive director the legal authority to dismiss any complaint if an investigation found it to be without merit. Previously, the complaint had to go before entire board had to dismiss the complaint.

In addition, the law requires that a physician profile listed on the board's Internet site include all medical malpractice settlements within the last five years that involves a payment to a complaining party. And the law spells out the type of inappropriate conduct a physician cannot engage in with his/her patient. Also, SB 1306 requires that the board will immediately suspend a license and begin an investigation of a physician upon learning that physician has been disciplined by another jurisdiction for unprofessional conduct. And SB 1310 requires BOMEX to consider previous non-disciplinary and disciplinary actions when determining disciplinary actions against a licensee. Finally, SB 1315 requires that all health-related boards record a roll-call vote on disciplinary actions.

The Legislature didn't "pick" on only physicians. There were a number of bills affecting a variety of health-related occupations — optometrists, emergency medical technicians (EMTs), veterinarians, nursing care workers, and behavior-health licensees — and health-related boards.

HB 2190 revised practices of the state Board of Optometry and modified licensing procedures for optometrists. Among the bill's provisions were the designation of three types of renewal certificates available for the use and non-use of pharmaceutical agents and the requirement that a licensee hold all patient records for at least two years after the last examination.

To help offset a shortage of emergency medical personnel, the Legislature passed SB 1308, which relaxes rules for receiving Arizona certification. The new law gives basic EMTs and paramedics, who are currently registered with the National Registry of EMTs, six months to pass statewide standardized training and testing procedures. SB 1308 passed with an emergency clause so it would take effect immediately.

HB 2010 made several changes to the regulation of veterinarians. The

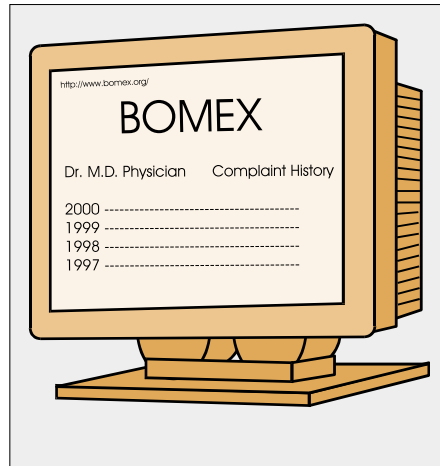
new legislation gives specific definitions for "gross incompetence" and "gross negligence" by a veterinarian, changes the required national (but not state) exam for licensure, changes rules governing the time frame for notifying law enforcement of animal abuse and dog fighting, and allows anyone to report suspect animal abuse by a veterinarian.

A shortage of long-term care nurses (e.g., retirement homes) propelled the Legislature to pass HB 2626, which allows persons as young as age 16 to be employed in direct-care positions, provided the person meets the qualifications for certified nursing assistants. This rescinds the prior requirement by the Department of Health Services that direct-care personnel of residential care be at least 18 years of age.

Trying to protect citizens from overzealous employees, two occupational groups receiving a lot of attention this past session were security guards and telephone solicitors, which are two of the fastest-growing job categories in Arizona (and the nation).³³

In HB 2453, the Legislature enacted several major provisions to keep tabs on security guards (particularly armed guards). The law requires uniformed armed guards to carry visible identification cards; doubles the amount of firearms training from 8 to 16 hours and requires the Department of Public Safety to adopt rules governing security guards; and stipulates that within 48 hours of a security guard's arrest, a security guard must notify their employer and DPS of the arrest. In addition, the law established an 11-member Private Investigator and Security Guard Study Committee to examine issues affecting security guards and private investigators.

In SB 1254, the Legislature limited the time that solicitors can call persons in Arizona, prohibiting outgoing calls between 9 p.m. and 8 a.m., as well as codified federal law that prohibits abusive telephone marketing practices to include all telemarketing



*Several Bills Dealt With
Disclosing Information
on Physicians to the Public
on BOMEX Internet Site*

sellers. Some telemarketing sellers had believed the definition of "seller," as interpreted by them, exempted them from these requirements and restrictions, according to a Arizona Senate Fact Sheet.³⁴

As might be expected with the number of changes affecting real estate transactions (see "Business" above), there was also legislation this session affecting the regulation of real estate occupations. HB 2024 made numerous changes to functions and duties of the state Department of Real Estate. Among these are: allowing a broker's license application be submitted electronically, letting a salesperson to be employed by more than one broker as long as their categories of employment differ, and gives the Department the power to suspend licenses of salespersons and brokers who are convicted of a felony or is incarcerated, paroled, or under probation for a conviction.³⁵

Notes:

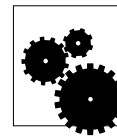
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Industry Update



Phoenix Metro Area

Manufacturing

A German producer of optical tools entered the U.S. market in June by **opening a distribution operation and call center in Phoenix**. Frankfurt-based **Breitfel & Schliekert**, which has annual sales of \$15 million, will ship its 1,400-plus products from a warehouse owned by Horizon Logistics and Distribution. Former opticians, who will answer sales and technical questions, are staffing the call center.

Chandler, the hub of the Valley's semiconductor industry, took a **few more employment hits** in early summer with the announcement of additional **layoffs at Speedfam-IPEC and Amkor Technology**. Semiconductor toolmaker Speedfam, which **laid off 220 employees** (18 percent of its worldwide workforce) **in March, cut an additional 120 jobs**. Pennsylvania-based Amkor, which packages and tests semiconductor products, laid off 2,000 employees worldwide, primarily at its production sites in the Philippines and South Korea. However, an unspecified number of job cuts also took place at its Chandler location, where Amkor employs 450 administrative, research, engineering, and sales workers. Amkor cut about 25 jobs at the Chandler site over the first three months of the year.

Due to weak sales, **Newell Rubbermaid Inc.**, parent company of Rubbermaid, announced it will **lay off 3,000 people** (about 6 percent of its worldwide workforce) over the next three years and consolidate duplicate manufacturing facilities. **No specific information** was given about the job cuts, including if it will affect **Rubbermaid's Phoenix-area manufacturing operations**. Rubbermaid, the largest division within Newell Rubbermaid, makes a variety of home plastic products.

If you see a funny-looking white object circling the Valley sky in the near future, don't call the UFO hotline. It's probably a test flight of a **gyroplane**, whose **manufacturer** intends to **open a 200,000-square-foot manufacturing facility in Glendale by spring 2002**. Salt Lake City-based **Groen Brothers**, which builds the odd-looking combination plane and helicopter (it has a propeller on the top and middle), intends to move its manufacturing operation to the Glendale Airport, 107th Avenue and Glendale Road. Currently employing about 30 people at a Buckeye test facility, Groen expects to **initially hire 300 workers** for the production facility. The company, which is awaiting Federal Aviation Administration approval for its latest version of the gyroplane, the Hawk 4, has 140 orders totaling \$105 million. Potential customers are law enforcement, utilities, and tour operators.

In a cost-cutting move, Tempe-based **Three-Five Systems** plans to **move a production line from Arizona to**

Asia by the end of the year, eliminating about 30 Valley jobs. Three-Five produces liquid crystal displays for cell phones and other high-tech devices.

Citing reduced demand and lower prices for its car-safety products, **TRW eliminated 100 positions** (through attrition) in mid-July **at its two Mesa plants**. The job cuts are part of an overall cost-cutting strategy announced in March that would eliminate 1,000 positions worldwide. As part of the realignment, TRW is consolidating its two Mesa plants into one operation at 11202 E. Germann Road. TRW expects the process to be completed in 2002.

Another transportation-safety company, Goodrich Corp., expects to see an "inflation" in its employment. Maker of evacuation slides for planes, Goodrich was awarded a \$300 million contract to design and build inflatable slides for the French Airbus A380 double-deck airliner, expected to begin flying in 2006. **Goodrich's Aircraft Evacuation Systems** facility at Broadway Road and 7th Street in Phoenix, which employs 320 workers, is expected to **add 40 more people** because of the contract.

Motorola sold its Intergrated Information Systems Group to General Dynamics Corp. in early August, then announced a few weeks later it is **shutting down its semiconductor operations in Mesa over the next 2½ years**. General Dynamics purchased the **2,700-employee division**, which makes space and communications equipment for the U.S. Defense, for \$825 million in cash and liabilities. Virginia-based General Dynamics, which employs 49,000 and expects to have sales over \$12 billion this year, makes a variety of defense products — from nuclear submarines to armored vehicles. The company said it **didn't expect to lay off any Motorola employees**. Motorola's Semiconductor Products Division, which employs about 7,000 in the Valley, makes chips for computers and cellular phones.

Valley fixture **Dial Corp.**, which makes soaps, laundry detergents, and Armour canned meats, is **up for sale**. The Scottsdale-based company recently reported better-than-expected earnings — after coming close to bankruptcy — and is expected to fetch about \$2 billion. Most likely suitors are foreign companies looking for manufacturing operations in North America. Dial employs 1,300 worldwide, including about 600 at its Scottsdale corporate and research operations.

As part of a consolidation plan, electronics manufacturer and distributor **Avnet Inc.** is **moving a Tempe assembly plant** to the Dallas suburb of Grapevine, Texas. About **150 Valley jobs will be lost**, with local employees being given the option of relocating to Texas. The plant closure **follows** announcements of **layoffs of about 500 Valley employees in May** and 600 workers outside of Arizona in mid-August. Phoenix-based Avnet, the world's second

largest electronics-components distributor, employs about 13,000 worldwide and 3,000 in metro Phoenix.

Maxwell Productions, a Scottsdale DVD manufacturer, expects to **triple its workforce** to about 200 by the **end of the year**. Located in a 100,000-square-foot building at the Scottsdale Airpark (8521 E. Princess Drive), the one-year-old company will need employees in a variety of professional, technical, and service occupations. Maxwell, which makes 120,000 digital versatile discs a day, is one of six U.S. companies that produce DVDs.

Construction

About **one-third** of **Del Webb's corporate employees** in Phoenix **received pink slips** following its buyout by Michigan-based Pulte Inc. About 250 of Webb's 4,200 worldwide employees work at its 135,000-square-foot corporate headquarters on 24th Street near the Arizona Biltmore. Del Webb's operations has become one of five divisions, known as the Del Webb Group, under Pulte.

Finance, Insurance, and Real Estate

After seeing its over-the-year first-quarter net income fall by nearly 70 percent, discount broker **Charles Schwab let go more than 630 employees at its Phoenix-area operations** in late April. Representing nearly 18 percent of its Valley workforce of 3,600, the layoffs were part of a 13 percent nationwide reduction by the San Francisco-based company. A generous severance package — including pay, educational support, and stock options — was given to laid-off workers.

Scottsdale-based **Finova Group Inc. emerged from bankruptcy protection** after securing a \$5.6 billion loan from Berkadia LLC. The commercial lender filed for Chapter 11 bankruptcy protection in March, shortly before reporting losses of nearly \$1 billion for the year 2000. Berkadia LLC, which will hold a 50 percent stake in Finova, is a partnership of Berkshire Hathaway Inc. and Leucadia National Corp. **No information** was available about how the new agreement might affect **Finova's employment**.

About **200 call center workers** were **terminated by Prudential Financial Services** in early August at its **northeast Phoenix offices**. Prudential, which is evaluating its customer service procedures for its property and casualty operations, also has centers in New Jersey and Tennessee. At one time the company employed more than 700 at its Phoenix operations, which opened in 2000.

The former high-end retail complex known as the **Scottsdale Galleria** has **landed its first two tenants — New York Life Insurance's regional offices**, with **150 employees**, and the **Scottsdale Culinary Institute**. Owned by New York-based JEMB Realty Group, the newly named Galleria Corporate Centre (4343 N. Scottsdale Road) has undergone a couple of transformations the past year after languishing as an expensive "white elephant" for several years prior to that. When the broadband boom was at its height, the 690,000-square-foot Galleria was expected to become a "telecom hotel," offering space for Internet infra-

structure. Since the softening of the communications field, JEMB shifted directions to office space.

Despite a slumping economy and the usual summer slowdown, the **Valley housing industry continued to sizzle**. The metro area set a monthly record (6,450) for home resales in July. Through the **first seven months of 2001, home resales** (37,275) were **up 10 percent** from a year earlier. Lower mortgage rates and a move away from higher-priced new homes have contributed to the strong growth.

Trade

A Dallas-based food distributor and grocery store owner, which divested itself of the ABCO supermarket chain in the past year, is now looking to expand operations in the wholesale grocery business. **Fleming Foods** is acquiring 100 percent ownership of the **Arizona Food4Less chain**, which will enable the Fleming to **aggressively expand operations** of the wholesale grocery chain in the Southwest.

Only **two years ago, Tempe-based MicroAge Inc. employed 4,600** and had \$6 billion in annual revenue. **Today**, after filing for and emerging from Chapter 11 bankruptcy protection, the company **has 30 workers** whose primary function is managing its assets and paying off about one-fifth of the \$400 million owed to its creditors. MicroAge, which sold off three of its former subsidiaries — Pinacor Inc., MicroAge Technology Services, and MicroAge Teleservices — has an estimated \$80 million in cash and assets.

The **opening and closing** of several **furniture chains in the Valley** highlight a **number of developments** in the **retail trade** sector. Starting with the good news, an upscale Danish furniture maker catering to the 25- to 40-year age group, **Bo Concept**, will **open two stores** in the Valley (Scottsdale in October; Chandler in March 2002). The company — which has 85 stores in 19 countries, but only four locations in the U.S. — uses computer 3D software to help design rooms with its sleek, modern furniture. **Two other furniture chains** with a major Valley presence, however, have **filed for Chapter 11 bankruptcy protection**. Tempe-based **Sun Valley Waterbeds**, parent company of Bedroom Superstores, and California-based **Krause's Custom-Crafted Furniture**, expect to keep open their half-dozen Phoenix-area stores while liquidating less profitable stores out of state. However, if the chains don't come up with an approved reorganization plan, they may be forced to liquidate their local operations. ... New Jersey-based **Burlington Coat Factory** will **open three outlet stores** at Valley malls **this fall**. Burlington will replace a Montgomery Ward at the Desert Sky Mall in west Phoenix and open two stand-alone operations — at Superstition Springs Mall in Mesa and Paradise Valley Mall in north Phoenix. ... One shopping center that isn't thinking of expanding is **Fiesta Mall**, which has been put up for sale less than a year after a major remodeling by its owner, L&B Realty Advisors in Dallas. Competition from newer malls and power centers in Scottsdale, Tempe, and Chandler is a major reason for the sale of the 1.1 million-square-foot mall at U.S. 60 and Alma School Road.

Sears closed three Valley Homelife stores — in Mesa, Scottsdale, and Glendale — as part of a nationwide shutdown of the 128-store furniture chain. Although the Chicago-based retailer said it was closing the stores “temporarily,” all 2,000 store employees and most of the corporate staff were laid off.

The fewer the merrier? **Two Valley beer distributors** have **merged** to form one of the largest beer wholesalers in the Southwest. **Zeb Pearce Cos.** has **acquired Miller Brands** of Phoenix, which will give Pearce about one-half of the Phoenix-area market with annual sales of 14 million cases. **No layoffs are expected** at the merged company, which will have a workforce of about 450.

A number of news stories relating to the Valley surfaced out of International Council of Shopping Centers convention in Las Vegas in late May. Among the biggest news was that Wisconsin-based **Kohl's** is planning to **open at least 10 stores** in the Phoenix-area over the **next several years**. Likely sites for the fast-growing discount department store are: Desert Ridge Marketplace, northeast Phoenix; Agua Fria Towne Center, Glendale; Gilbert Gateway Towne Center; and Loop 202 and Power Road, Mesa. Developer Vestar will build all of these centers. ... **Scottsdale Fashion Square** (Scottsdale and Camelback roads) **landed** the Valley's **sixth Macy's** to replace the 235,000-square-foot site formerly used by Sears, which exited the mall earlier this year. ... **Westcor Cos.**, which owns the Chandler and Scottsdale Fashion Centers, has **two power centers** in the **development stage** and is **expanding/renovating several others**. Westcor is pre-leasing a planned 1 million-square-foot **Gilbert Crossroads** center, Williams Field and Greenfield roads, and the 620,000-square-foot **Scottsdale 101**, Scottsdale Road and Mayo Boulevard. And the Phoenix-based shopping center developer plans to **renovate four other properties** — Arrowhead Towne Center, Glendale; Superstition Springs Center, Mesa; Desert Sky Mall, west Phoenix; and Paradise Valley Mall, north Phoenix. Planned at Arrowhead and Desert Sky, new anchor stores; at Desert Sky and Paradise Valley, expanded movie complexes; and at Superstition and Desert Sky, outdoor “village” retail shops.

Services

A subsidiary of Toyota Motor Co. that handles financing and leasing of Toyota and Lexus automobiles will **open a customer service center in Chandler** this October. **Toyota Financial Services' Western Region** customer-care center will **employ 400 workers** at the new San Tan Corporate Center, 3200 W. Ray Road. Half of the employees will be new hires, while half will relocate from the company's other offices. The move to Chandler is part of the company's plan to consolidate its administrative functions at three sites, with the other two being Baltimore, Md., and Cedar Rapids, Iowa.

A Miami, Fla.-based **charter- and private-school operator** said it will **open three schools** in the Valley (two in Phoenix; one in Gilbert) this fall, **employing about 100** people. And **Chancellor Academies** — which received

\$40 million in backing from a Wall Street investment firm — said it **expects** to have a **dozen schools** operating in the Phoenix area and **employing 500 within five years**. (Chancellor also plans to open one charter school in Tucson this fall.) Arizona currently leads the nation in charter schools with more than 400 serving 55,000 students.

Thanks to Arizonans' continued bad spending habits, **no layoffs** are **expected** when a Phoenix-based credit-counseling service merges with a similar company in Houston. **Consumer Credit Counseling Services Southwest**, which employs 60 at a call center in north Phoenix and additional personnel at nine Arizona offices (five in Maricopa County), will **merge with Money Management International**. The combined companies will employ 160 and have an active client base of 70,000. The non-profit counseling services are funded through voluntary contributions by banks and other financial institutions.

With more than 200 call centers employing more than 30,000 people in the state, it's sort of surprising that **Arizona's first bilingual customer-service operation** only recently opened for business. **Bilingual Soluciones**, which was started by four Hispanic business executives, has about **30 employees** at its west Phoenix facility (5026 W. Indian School). But the company **expects to add another 100 employees** at that site by the end of this year and is eyeing 71,000 square feet of space at the former Maryvale Mall — which housed U.S. Census Bureau operations — which would allow for growth of an additional 2,000 positions.

A national consultant released a report showing the **Valley** as the **eighth most expensive metro area for call center operations**. The Phoenix metro area had higher average weekly wages (\$524) for call center employees than operations in cities such as San Diego and Dallas. With more than 100 call centers, the Valley became attractive for such operations after the state passed favorable legislation for the financial services industry in the late 1980s. Because of the higher costs, in the past few years, companies have started locating their call center facilities in rural areas of the state.

American Express Co., which has more than 9,500 Valley employees, will **eliminate 4,000 to 5,000 jobs worldwide** beginning in the third quarter of 2001 as part of a company-wide reorganization plan. The cuts come on top of plans announced earlier this year to eliminate 1,600 positions. American Express, which had a 76 percent drop in over-the-year earnings in the second quarter of 2001, will **target** the newest **cuts** in areas where the **Valley has a major presence**, such as business travel and technology. No information is available on how many positions will be affected locally.

Among health care news items, another nursing center is going out of business, while a west Valley hospital plans a major expansion. **Good Samaritan Regional Medical Center** is **closing a skilled nursing-care facility** on its **downtown campus** that **employs about 100**. Officials

cite financial problems due to lower Medicare payouts by the federal government as the major reason for the closure. ... How quickly fortunes can change. Only a few years ago, **John C. Lincoln Hospital** — Deer Valley (Interstate 17 and Loop 101) was on the verge of bankruptcy. But fast population growth in the north Valley has led to recent strong revenue growth, so the hospital announced it will **double its bed size** to nearly 200 as part of a \$30 million expansion. Construction will begin in 2003.

Government

The **Federal Reserve** opened its new **cash operations center** in **Phoenix in September**, while the **U.S. Postal Service** opened several new branches and announced it will build a \$14 million **airmail center** near Sky Harbor International Airport. The 66,000-square-foot **Federal Reserve facility** will **employ about 50 people**. The windowless, high-security building at 47th Avenue and McDowell Road will house excess cash for banks, savings & loans, and credit unions in the state. Somewhat less imposing will be the three new post office branches that opened this summer: Crimson Road and Southern Ave., Mesa; Bell Road and Parkview Place, Surprise; and 2550 E. Rose Garden Lane, north Phoenix. The 145,000-square-foot **airmail center** at 24th Street and Buckeye Road, expected to **open in February 2003**, will be six times larger than the post office's current Sky Harbor facility.

Tucson Metro Area

Manufacturing

Several small manufacturing operations are planned or recently opened in the Tucson area. Boston-based PerkinElmer Inc. purchased a three-year-old laser scanning and imaging company and expects to expand its operations. Formerly known as Sonoran Scanners, the Tucson company developed a new technology that allows publishers to create a plate for printing directly from a computer, instead of using more costly and labor-intensive filming and markup procedures. The **workforce** is expected to **triple** from 10 to 30 in the near-term at its new Oro Valley offices. ... **AFCO Systems** of Farmingdale, N.Y., a maker of computer and telecommunications cabinets, **opened a regional manufacturing and distribution operation** to serve its customers in the West. The 14,000-square-foot facility at 6210 S. Country Club Road is expected to **employ about 10 people** by the end of the year, then grow six-fold over the next three years. ... Expecting to "cook up" bigger profits, Beyond Bread Bakery and Café will open a second store and bakery in late fall at Monterey Village, 6260 E. Speedway. The three-year-old **company** plans to **add 30 workers** to its existing workforce of 50.

The news wasn't so good for about **150 employees** (primarily engineers) of **three Tucson optics companies**. **Shutting down operations** are **Chorum Technologies**, **Etec Systems** and **Schott Donnelly**, with Etec accounting for more than half of the job losses. No specific informa-

tion was given for the closure. Despite the shutdowns, however, Tucson has more than 130 optics companies employing about 4,500.

In mid-August, Chicago-based **Sara Lee Corp.** completed the **purchase of The Earthgrains Co.**, which employs about 450 people at a bakery in Tucson (827 E. 17th St.). There is **no information** on how the acquisition of Earthgrains — which makes products under the Rainbo, Grant's Farm, and IronKids brand names — will **affect employment** at the Tucson bakery, or the 500 sales and distribution workers in the region covering Tucson. With the purchase, Sara Lee, with \$17.7 billion in annual revenue, becomes the second leading producer of bread products.

The **Tucson metro area** needs to **increase its skilled manufacturing workforce** by **nearly 50 percent** over the next several years to meet the demands of companies moving or expanding in the metro area, according to Mayor Bob Walkup. **More than a dozen manufacturing companies** are **considering moving to Tucson**, and with a relatively low unemployment rate the Tucson area is hard pressed to find enough individuals to take advantage of specialized training at Pima Community College and the Southern Arizona Institute of Advanced Technology. Currently, about 10 percent of Pima County's 372,000 workers are in manufacturing. Walkup says that needs to increase to 15 percent, or an additional 18,600 workers.

Mining

Although 80 workers were laid off at a Tyrone, N.M., mining and leaching operation, for the time being, **Phelps Dodge** plans **no layoffs** at its **Sierrita** copper and molybdenum **mine in Green Valley**, about 50 miles south of Tucson. In January, Phelps Dodge notified 2,500 workers at several mines in Arizona and New Mexico of the possibility of layoffs due to escalating high energy costs.

Construction

Marana Golf Inc., which recently purchased The Links at Continental Ranch, plans to **build 12 additional golf holes, 400 apartments, and 300 homes** on 90 acres of land to the east near Interstate 10 and Cortaro Road. Marana Golf is owned by San Xavier Rock and Materials, which plans to move its sand and gravel quarry next to the golf course in order to accommodate the new development.

Over the next two years, **more than 1,000 workers** will be needed to work on a **575-room, \$162 million resort** — the largest in Tucson. Canadian-based **Starr Pass Properties LLC** recently received financial backing from an unnamed lender to build **The Marriott at Star Pass**. The luxury hotel — which will occupy 1,600 acres and include a 66,000-square-foot convention center, a 25,000-square-foot spa, up to 25 retail shops, 36 holes of golf, four pools and 10 tennis courts — will be the first resort built in Tucson in 14 years. When it opens in January 2004, the **hotel will employ** a staff of almost **700**.

Westcor Partners of Phoenix came to a historic agreement with Pima County and Catalina foothills residents on

a planned 271,000-square-foot **upscale shopping center** at Campbell Avenue and Skyline Drive. Members of the Skyline/Campbell Community Coalition — which was formed two years ago to fight **La Encantada** — will not only have a voice in the project, but negotiated several concessions from Westcor: open space on one-third of the property's 37 acres, buffers from retail shops of up to 200 feet, and \$1.4 million from Westcor toward improvement of the Campbell-Skyline intersection. Construction of La Encantada is expected to start in about a year, with an opening set for mid-2003.

Trade

Family Dollar, a national discount retailer, **opened its fourth and fifth locations in Tucson**, with **plans for five more stores** this year. The Charlotte, N.C.-based chain, which has 4,000 stores in 39 states, has **33 locations throughout Arizona**. Family Dollar, with sales of \$3.1 billion, plans to open 500 stores throughout the country in 2001.

Park Place mall **opened** a remodeled **food court**, a 20-screen **movie theater**, and several **retail stores** the early part of **August**. Housed in several buildings that are reminiscent of a Spanish marketplace, the food court features about a dozen eateries, while a Sam Goody music store across a courtyard sits next to the Century 20 Park Place movie complex. The food court and theater upgrades are the second phase of \$50 million-plus improvement for the mall, formerly known as Park Mall.

Two competing national **retailers** are in the process of developing "big-box" stores in the Tucson metro area that would **employ about 400** people. As part of a 218,000-square-foot shopping center, **Home Depot** won approval from the city council to build a **160,000-square-foot store** near the corner of Broadway and Pantano Road. And **Lowe's Home Improvement** will **open its first store in Tucson next summer** when it replaces a former Montgomery Ward store at 4147 N. Oracle Road. The planned 150,000-square-foot store will **employ 175 people**. Lowe's has nine Arizona stores, eight in the Phoenix metro area and one in Yuma.

Chicago-based **General Growth Properties Inc.** has cornered the market on Tucson-area malls when it **purchased Tucson Mall** for \$180 million. General Growth, which owns and recently spent \$50 million to renovate Park Place mall (see above), purchased the 1.3 million-square-foot shopping center, which features six department stores and 172 specialty shops. Because it now owns Tucson's two largest shopping venues, General Growth may be able to attract new national retailers to the metro area.

Also looking to **corner the market** in Tucson is **Safeway**, which at the beginning of 2001 had 11 stores (second most) in the metro area. But the northern California-based chain acquired and **converted seven ABCO stores in Tucson into Safeway stores** and is planning to

open three new locations by the **end of 2002**. All three stores — Broadway and Houghton Road, Golf Links and Kolb roads, and Broadway and Campbell Avenue — will feature Wells Fargo Bank branches.

Also hoping to make its presence felt, Chinese restaurant chain **Panda Express** expects to **open 10** free-standing **locations** in the Tucson area within the **next several years**. The Pasadena, California company, which has three satellite branches in the Old Pueblo — at the University of Arizona and the Foothills and Tucson malls — recently opened its first free-standing store at the Cornerstone shopping center. Each free-standing store employs about 20 people.

Services

An Illinois-based **teleservices company** will **open** a 63,000-square-foot **call center to handle clients** of a high-speed **Internet provider**. **APAC Customer Services Inc.**, which expects to **hire 450 and full- and part-time workers**, will service incoming sales calls. Entry-level workers will make around \$8 an hour, plus bonuses. APAC is moving into a facility at 1650 S. Research Loop formerly occupied by First Data Corp., which closed its operation and laid off 1,100 workers last year when a contract ended with MCI WorldCom. For more information, call 1-800-776-2722 or go to their Internet site: <http://www.apaccustomerservices.com/careers>.

The recent **expansion of Tucson's state enterprise zone** — to include most of the city — will **lead** to an **expansion of jobs** by **call-center operator Anfi Inc.** The Bloomington, Ill.-based company will open its **second Tucson customer-service center** at 333 E. Wetmore Road in May, hiring up to 300 workers. Anfi, which operates a call center on Escalante Road in southeast Tucson that employs 850, will receive a \$3,000 tax credit over three years for each new position it creates at the Wetmore operation. The positions must pay at least \$8.58 an hour, provide half the cost of health insurance, and offer 1,750 hours of work.

The **Tohono O'odham Nation** was **expected to open** a new \$52 million, 185,000-square-foot **casino and entertainment complex** in October that will **add 700 workers** to its current workforce of 800. Called **Desert Diamond**, the complex on Pima Mine Road east of Interstate 19 features 1,500 slot machines, a 2,000-seat auditorium that doubles as a bingo hall, 30 poker tables, meeting rooms, and restaurant. The Indian nation's older gambling operation on Nogales Highway, also known as Desert Diamond, will become strictly a slot machine operation. Average annual salary for the tribe's gaming workers matches Pima County's average, about \$24,000.

By **acquiring** Tucson-based **Sunquest Information Systems**, U.K.-based **Misys** will be able to **offer** a full-range of **health-care software products**. Misys purchased 700-employee Sunquest Information Systems because of its leadership in hospital management software. Misys, which will not change **Sunquest's plans** to **add 90 workers** the last six months of 2001, already produces information

systems for doctors' offices, pharmacies, and laboratories. The acquisition is subject to government approval.

Another Tucson-based (but soon-to-be Phoenix-based) health-care company is faring much worse. In order to stop the bleeding of red ink, health maintenance organization **Health Net laid off an unspecified number of workers in early July**. In addition, the HMO will **move its corporate headquarters to the Valley** and consider eliminating Medicare coverage. Health Net, which has more than 300,000 members, lost more than \$64 million in 1999 and 2000. Government

To help pay for a nearly \$4,000 per-employee raise and a \$10 million budget deficit, the **Tucson Unified School District eliminated more than 100** (filled and unfilled) **positions**. Approval of a proposition in November 2000 that banned bilingual education forced the layoff 122 teacher assistants and an unspecified number of temporary employees. Miscellaneous

The **Pima County Workforce Investment Board debuted a web site for job seekers and employers** in late July. The opening of **pimaworks.com**, which features job listings, skills assessment, training information, and other resources, comes at an appropriate time, when unemployment is on the rise in Tucson and other areas of the state. **Several optics companies recently closed, eliminating 150 jobs**, and a plastic-injection molding manufacturer (**Plastic Moldings**) **closed up shop** recently after opening a plant in February.

Balance of State

Manufacturing

Higher electrical costs forced **North Star Steel to eliminate 45 jobs** (about one-fifth of its workforce) at its **Kingman operation** in early May, the company said. North Star has not made steel since December 7, 2000, because of the high cost of power. The company is concentrating all of its efforts on making steel concrete reinforcing bars that it sells to the construction industry.

Expansion by three cold storage and salad-processing companies in Yuma is expected to **create 550 new full- and part-time jobs by this fall**. **Advanced Cooling Systems** plans to construct a **73,500-square-foot cold storage facility** at Avenue 3E and 40th Street; next-door neighbor **Newstar Fresh** will build a **102,000-square-foot plant**, with about one-third devoted to salad processing and the rest to cold storage; and **Natural Selection Foods** plans to erect a **138,000-square-foot plant** at 36th Street and Avenue 3E that will begin as a cold-storage facility, but then add organic salad processing.

Phoenix Golf Ball Co. is moving the "core" of its business to Payson, which will result in **20 new jobs** when a 20,000-square-foot facility at **Sky Park Industrial Park** opens in about a year. The Mesa-based company will manufacture the rubber core of its golf balls at the

Payson plant, then finish the process (applying an outer coat) at its Mesa facility. Average starting salary for Payson employees will be around \$9 an hour, plus full health insurance, the company said.

Tears of joy were shed by former Delphi Automotive System's workers when it was announced a **California aerospace company** had **bought the Fort Defiance cable and wiring plant**. The **Delphi facility** on the Navajo Nation had **closed in late March, laying off 91**, as part of worldwide restructuring plan by the automotive parts maker. The new owner, **Ducommun Inc.** of Long Beach, said it will **hire all of the laid-off workers**, with an eye toward adding more personnel. Tucson's largest manufacturer, Raytheon Corp., was a major customer of the Delphi plant and will now contract with Ducommun for wiring-harness work at the facility.

Construction

A **number of building projects in various stages of development** were recently in the news. The **Camp Verde Town Council approved** development plans for three parcels of **land near Interstate 17 and Arizona 260**. Work on the project, which is expected to **include restaurants, hotels, and convenience stores**, could be under way within a year. ... **Lake Havasu City investors** are attempting to **line up stores** for a 240-acre **regional mall/"power center"** where Home Depot is currently building a 140,000-square-foot store (State Route 95 near the municipal airport). An announcement about the project's status is expected by the end of July. ... Phoenix-based **Westcor Cos.** has **reduced** by three-fourths the size of its planned 90-acre **expansion of Flagstaff Mall**. Lack of city funding for infrastructure costs — through a sales tax — has led to the elimination of a 50-acre business park and half of a 40-acre retail shopping village (including a 10-screen movie complex). **Still planned** is a **Wal-Mart "supercenter."** ... **Yavapai County supervisors** gave preliminary **approval** to a **700-acre project in Paulden**, called **Rancho Cielo**, that will feature more than **1,250 single-family residences** built in nine phases. Formerly known as Headwaters Ranch (because of its closeness to the Verde River headwaters), Rancho Cielo will **also include a golf course and commercial area**. Work on the golf course will begin within a year.

The **Lake Havasu City Council approved a major resort project** on 104 acres formerly occupied by the city's airport and 60 acres owned by the state. **Limmus Corp.** of Phoenix and **Roby Billard** will develop the five-year project that **includes two hotels** with a total of 750 rooms, a 50,000-square-foot **convention center**, 125 to 160 **condominiums, retail shops, and an 18-hole golf course**.

Transportation, Communications, and Public Utilities

The board of the **Arizona Electric Power Cooperative**, which serves southeast Arizona, agreed to spend up to \$30 million to build a **40-megawatt generating plant** at its **Apache Generating Station near**. The natural gas-fired

plant is expected to be **on-line** by **late summer of 2002**.

Trade

What's it worth to have a **Wal-Mart supercenter** in a community? To the city of Prescott, \$6 million. In order to lure a Wal-Mart from the nearby Yavapai Prescott Indian Reservation (Frontier Village Shopping Center), the Prescott City Council agreed to pay back the world's largest department store \$6 million in sales taxes collected at the store over the next dozen years. The new supercenter will be **located at the corner of Highway 69 and Prescott Lakes Parkway**. No information was available on the number of employees the new store will need, as well as an expected completion date.

Prescott Gateway Mall, which is expected to open next March, announced **Barnes & Noble** will **lease 25,000 square feet** in a separate building adjacent to the mall's food court. Westcor Co., the mall's developer, has been pursuing the national bookstore chain for a year.

Services

Yavapai Regional Medical Center (YRMC) will build **Prescott Valley's first hospital** within the **next 18 to 24 months**. Prescott-based YRMC will locate the facility — which will include at least 50 beds — on 27 acres adjacent to the Del E. Webb Outpatient Center on Windsong Drive. YRMC also operates a hospice, and physical rehabilitation and enhanced imaging facilities in Prescott Valley.

The hiring of a full-time nursing professor at the Northern Arizona University-Yuma campus is expected to lead to the **training and employment of additional nursing personnel** for **Yuma Regional Medical Center**. The medical center, which desperately **needs nurses** for its **intensive care unit and operating room**, will pay the salary of the professor. The full-time teaching position is expected to allow the school to enroll more students in its bachelor's degree program. **Another source** of nurses is **Arizona Western College** (in Yuma), which awarded 31 students with associate's nursing degrees this spring. Most of the graduates are expected to work or receive training at YRMC.

About **100 telephone sales workers in Lake Havasu City** **lost their jobs** when creditors of its parent company, **Epic Resorts**, filed for Chapter 7 bankruptcy. Epic Resorts owns time-share properties in Lake Havasu City (London Bridge Resort), Scottsdale (Scottsdale Links Resort), and several other cities around the country. Other employees at Epic's properties were not affected by its creditors' bankruptcy.

Government

Despite a 4.2 percent drop in its yearly budget — due to fewer capital-spending projects — **Coconino County** will **increase its full-time staff** by **more than 30** during fiscal year 2001-2002. The county will employ more than 1,050 full-time workers, if all of the new positions are filled. Information on the type of jobs being added was not available.

An 8.4 percent **cut in Mohave County's budget** that began July 1 could **lead to layoffs** and a reduction in services. The county's Sheriff's Office, which has already closed jails in Mohave Valley and Lake Havasu City and a substation in Golden Valley, may need to make further cuts.

Due to the **Army's plans to consolidate its personnel operations, Fort Huachuca is adding slightly more than 100 civilian jobs**, of which about half will be hired locally. The Army's Western Civilian Personnel Operations Center at the fort will hire 102 workers, while the fort's Civilian Personnel Advisory Center will hire four. About 50 of the positions will be filled through transfers from other Army personnel locations.

Statewide

Mining

Higher electricity costs, lower copper prices, and consolidation contributed to an **18 percent drop** in the **mining industry's direct economic impact to the state in 2000**, according to a study released in late July. Mining employment fell by 2,000 last year to a level of 7,500, about a 40 percent drop from 1996 levels, according to the Arizona Mining Industry. **Shutdown of BHP's mining operations near Oracle**, and **layoffs at Phelps Dodge and Asarco** accounted for the drop in employment. If the price of does not rebound, industry analysts believe there could be further deterioration in the industry. And that has already started to happen (see related stories).

Finance, Insurance, and Real Estate

Wisconsin-based **M&I Marshall & Ilsley Bank** has agreed to **purchase Fifth Third Bank's operations in Arizona**. After M&I completes the merger, it will **have 25 locations throughout the state**, including **new branches in Sedona and Prescott**. Some of Fifth Third's branches will be closed, but all but 5 percent of its workforce will be retained, M&I said. Cincinnati-based Fifth Third sold its Arizona interests in order to concentrate on its Midwest operations.

Trade

Phillips Petroleum is expected to **liquidate an undetermined number of Circle K and Phillips 66 stores** after its \$7 billion merger with Tosco Corp. is approved. According to a story on the Internet site of the British business publication *Financial Times*, about \$1 billion in assets will be sold by Phillips. Oil refiner **Tosco**, which **recently laid off 200 employees** (primarily within its Tempe marketing department), owns 6,400 Circle K stores. A Phillips spokesperson said it will sell stores where there is an overlap in the market.

Over the next year, the **Albertson's supermarket chain** said it will **close 165 stores** in 25 states and eliminate 20 percent of its administrative and managerial jobs. The clo-

tures, which will cause the loss of about 1,600 jobs, will affect not only its Albertson's supermarkets, but Osco drug stores, Jewel Food Stores, and several other smaller operations. Albertson's, which has about 50 grocery stores and 80 drug stores in Arizona, has not said if any stores or jobs will be affected in Arizona.

Services

A **statewide shortage of 3,000 registered nurses** propelled Gov. Jane Hull to form a task force to study solutions to the problem. A survey by the Arizona Hospital and Healthcare Association pointed out several reasons for the nursing shortage, which is a problem across the nation. Among the major reasons for the shortage are: burnout from a high patient-to-nurse ratio and long hours of work; opportunities for nurses in other less-stressful and higher-paying occupations; lack of incentives and higher pay needed to attract younger workers in the field. A recent survey by the Bureau of Health Professions showed nearly 500,000 nurses are not using their licenses, compared to about 400,000 in 1992.

Chandler-based **Nationwide Vision**, which employs 400 people at 40 locations (primarily in the Phoenix and Tucson metro areas), is **expanding its operations throughout the state**. The company is investing \$2 million to **open new stores in 2002 in Flagstaff, Yuma, Lake City, Bullhead City, and Kingman**. Started in 1985, Nationwide had \$31 million in revenue in 2000. Among the company's largest occupations are optometrists, ophthalmologists, and opticians.

A federal judge ruled that **Arizona's Indian gaming compacts are illegal** and stopped the governor from negotiating any new gaming compacts. The ruling was brought about by a suit by filed by the state's horse- and dog-racing industry, which claimed the Indian compacts violate the state's constitution because it gives the Indian tribes a right to run casino games and not businesses outside of the reservation. It's **not expected** that the ruling will **affect current gaming on 15 Indian reservations** in the state until, and if, the decision is affirmed by a federal Appeals Court. In the meantime, the state Legislature is expected to take up the issue. According to a recent report by the University of Arizona's Udall Center for Studies in Public Policy, **state Indian gaming employs more than 9,300 workers** and has an economic impact of more than \$450 million.

Government

While the shortages of nurses and construction workers are a problem, those situations are much less complicated than the outlook for prison personnel. First, a **shortage of corrections workers** is threatening to **keep** a large part of the state's newest and most sophisticated **prison in Buckeye empty**. However, even if there were workers lining up for jobs at the Arizona State Prison-Lewis complex, **lack of state funds will keep one-fourth of the 4,150 inmate beds unfilled** for the time being. Meanwhile, **work** has **stopped** on a partly finished **private**

prison near Mohave Correctional Properties LLC of Edmond, Okla., started building a private prison in October 2000 near the new Griffith Energy Plant off Interstate 40, but stopped work when it found out that two potential users (the state or federal government) have different needs (1,000 vs. 1,500 beds). Also, it will be late summer before a **half-dozen communities in Arizona and Southern California learn where three planned federal prisons to house foreign nationals will be located**. Then, an environmental impact study will be needed, followed by about a year to build the prisons. Finally, sometime this summer, the **Navajo Nation will select a private company** to build a **facility for 10,000 Native American prisoners** jailed throughout the United States. A site in Chinle, Shiprock, or Tuba City has yet to be chosen for the medium- to minimal-security prison that will bring \$20 million a year in revenue to the local community selected for the prison. Is all this clear?

Two Air Force bases in Arizona are expected to **pick up** about **80 military and civilian personnel** in October. According to U.S. Senator John McCain, **Davis-Monthan Air Force Base** in Tucson will **gain 65 airmen**, while **Luke Air Force Base** in Glendale will **pick up eight airmen and nine civilian workers**. The increase in personnel may be a good sign for the bases, said McCain, as the Defense Department gears up for another round (third) of base closings. It's expected that 25 percent of the nation's bases will be shut down in an effort to save government expenses.


Mining

Tucson-based **Asarco laid off 110** of its 625 workers at its **Mission mine in Green Valley**, about 30 miles south of Tucson. Low coppers (65 cents a pound) were blamed for the mid-August cutbacks. The layoffs will not affect Asarco's other operations in Arizona — Silver Bell north of Tucson and the Ray Complex near Hayden. **AET**

Legislative Session Short on Tax Cuts, Revenue Growth

(continued from page 7)

19. "1 bill to fund start-ups passes, 1 fails," Scott Thomsen, *Associated Press*, published on *Tucson Citizen* Internet Edition (www.tucsoncitizen.com), March 6, 2001.
20. Ibid.
21. "High-tech supporters get little help at Legislature," Ed Taylor, *East Valley Tribune*, May 7, 2001, p. B1.
22. "Hamilton Plans Bill to Assist Farmers At Luke," Beth Lucas, *Arizona Capitol Times*, Aug. 31, 2001, p. 4.
23. Ibid.
24. As one of several examples: "Hull: Raise state workers' pay," Mike McCloy, *The Arizona Republic* Internet Edition (www.azcentral.com), Jan. 6, 2001.
25. "Bill penalizes firms who close in state and move overseas," Howard Fischer, Capitol Media Services, printed in *East Valley Tribune*, Feb. 1, 2001, p. B2.
26. Senate Fact Sheet of HB 2087, Final Revised, Arizona State Senate, May 14, 2001.
27. "Senate panel Oks anti-discrimination bill," Howard Fischer, Capitol Media Services, printed in *East Valley Tribune*, Feb. 1, 2001, p. B1.

28. "Unemployment Payouts Formula At Heart Of State Debate over Payroll Taxes," Bill Coates, *Arizona Capitol Times*, March 23, 2001, p. 8.
29. Ibid.
30. The Board of Medical Examiners is responsible for protecting the public through the licensure and regulation of approximately 15,000 physicians and 700 physician assistants statewide. BOMEX receives more than 1,000 complaints each year. According to BOMEX, approximately 2,887 physicians have received more than one complaint and 1,832 have received three or more.
31. "Medical board faces reform," David Parrish, *The Arizona Republic* Internet Edition (www.azcentral.com), Dec. 15, 2000.
32. Ibid.
33. Security guards are projected to grow 5 percent a year in Arizona over the next decade, while telemarketers are in a group expected to grow 8.8 percent annually the next 10 years. Source: *Arizona Occupational Employment Forecasts, 1998-2008*, Arizona Department of Economic Security, Research Administration, August 2001.
34. Fact Sheet for SB 1254, Corrected Final Revised, Arizona State Senate, May 7, 2001.
35. "Commerce Committee," *2001 Legislative Summary*, Forty-Fifth Legislature, First Regular Session, published by Arizona State Senate, pp. 19-20. 

— Brent Fine
Arizona Economic Trends Editor



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